During absencn of Chairmen, General Managers were looking after th work of the above banks.

As the above Chairmen were constrained to take leave on health ground no action against any of them was taken.

Dishonouring the directives of RBI by the Banks

2637. SHRI ASHIS SEN: Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India advised the sponsoring banks to pay 7.5 per cent interest on the current deposits and 13.5 per cent interest on the short-term deposits placed by Regional Rural Banks with them;

(b) if so, how Bank of India has advised to pay no interest on current deposits and 7.5 per cent interest on short-term deposits made by Regional Rural Bank sponsored by them at the branches of Bank of India and

(c) what action has been taken by Government against Bank of India and such other sponsoring banks for dishonouring the directives of RBI and what will be the loss of RRBs for such reduction of interest?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. ABRAR AHMED): (a) Yes, Sir Reserve Bank of India (RBI) vide its letter dated 1.4.1993 advised all scheduled commercial banks to pay interest at 7.5 per cent per annum on the current account balances held with them by Regional Rural Bank (RRBs) with effect from 1.4.1993 irrespective of whether they have sponsored any RRB or not. Further, in terms of RBI's circular dated 4.3.1993 all sponsor banks have been instructed to pay interest at 13.5 per cent per annum (minimum) to the RRBs sponsored by them on the SLR portion of term deposits kept with them by RRBs.

(b) and (c) It has been reported by the Bank of India that it was not paying initially interest at the rate as envisaged by the RBI However, the bank has reported that on 10.2.1994 instructions were issued to their concerned offices to comply with the directives of the RBI, and pay balance amount of interest if any for the intervening period for which interest has not been paid.

2638. *(Transferred to 21st April,* 1994).

Writing off of debts of Punjab Government

2639. SHRI IQBAL SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Punjab Government owes a large amount of debts to the Union of India bncause of the expenses on security and anti-terrorism operations in the State;

(b) if so, the details thereof and the reasons therefor; and.... .....

(c) what concrete steps Government propose with regard to writing off he debts of the Punjab Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M V. CHANDRASHEKHAR MURTHY): (a) and (b) Government of Punjab has been receiving large amounts of special plan loans from the Ministry of Finance to finance their Annual Plans in the last few years. Due to this, large amount of debt has accumulated against the State Government. The outstanding loans owed by the State Govnerment to the Ministry of Finance as on 31.12.1993 stands at Rs. 8145.10 crores.

(c) One of the terms of reference made to the Tenth Finance Commission mentions that the Commission may make an assessment of the debt position of the States as on 31st

March, 1994 and suggest such corrective measures as are deemed necessary also keeping in view of the financial requirements of the Centre. It is for the State Government to present their case to the Tenth Finance Commission in this regard.

2640. (*Tranferred to 21st April, 1994*)

Arrears of Income Tax against brokers

2641. SHRI MENTAY PADMANABHAM: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the newsitem which appeared in the Economic Times dated the 23rd February, 1994 captioned "4 Brokers owe Rs. 100 crores I.T.";

(b) if so, whether it is a fact that 4 brokers owe Rs. 100 crores as Income Tax; and

(c) what are the reasons for a compassionate approach by the Ministry of Finance towards such defaulters?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) to (c) Demands exceeding Rs. 121 crores have been raised for assessment year 1990-91 in the cases of four brokers belonging to bear cartel. The matter has been referred to the Custodian to make provision for payment of demand raised against the notified persons. Therefore, the question of adopting a compassionate approach towards these defaulters does not arise.

Rejection of recommendation of Narasimhan Committee on merger of Rural Banks

2642. SHRI GHUFRAN AZAM:
SHRI KRISHNA KUMAR BIRLA:

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI has rejected the recommendation of the Narasimhan Committee that the regional rural banks should be merged with the sponsor bank's rural banking subsidiaries; and

(b) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. ABRAR AHMED): (a) and (b) After considering a number of alternative models for restructuring of Regional Rural Banks (RRBs) including their merger with Sponsor Bank's rural banking subsidiaries as recommended by Narasimhan Committee, it has been decided to revamp the RRBs by cleaning up of their Balance Sheets on a 'Stand Alone' basis. Accordingly as announced by the Finance Minister in his Budget speech on 28.2.94 it is proposed to take up 50 of the 196 RRBs all over the country in the course of 1994-95 for undertaking comprehensive restructuring including cleaning up of their balance sheets and infusion of fresh capital. The experience with these 50 RRBs will guide the approach in later years to the other RRBs. The objective is to transform presently weak and ailing RRBs into financially viable and effective instruments of decentralised rural banking.